The Municipality of
Metropolitan Toronto

Annual Report

1989

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The Municipality of Metropolitan Toronto was incorporated in 1953 by an act of the Province of Ontario. The most populous municipality in Canada, it is located on the north shore of Lake Ontario and consists of six municipalities – the City of Toronto, the City of North York, the City of Scarborough, the City of Etobicoke, the City of York and the Borough of East York. The Municipality, with a population of 2,130,000, covers 632 square kilometres extending 40 kilometres along the north shore of Lake Ontario and 16 kilometres inland.

The structure of the Metropolitan federation is based on the concept that certain services common to the community are the responsibility of the Metropolitan Corporation, while services of a local nature are provided by the local municipality. The provision of other services is shared to the degree each function is metropolitan or local in scope.

Services provided by the Metropolitan Corporation include police protection, regional roads and expressways, public transit, water supply, solid waste disposal, ambulance services, social services and regional parks. The area municipalities assume responsibility for such matters as fire protection, local streets, garbage collection, neighbourhood parks and the collection of property taxes.

With the highest income, output and invested productive capacity of any municipality in Canada, the economy of the Municipality ranks as one of the strongest and most diverse in Ontario, and indeed in Canada.

Contents

Highlights	4
Results	5
Message from the Metro Chairman	7
The Year in Review	9
Financial Review	25
Consolidated Financial Statements	33
Metropolitan Council	47
Senior Management	48

In 1989 the efforts of 27,797 Metro employees . . . . transit operators, maintenance crews, plant foremen, policemen, ambulance attendants, home makers, nurses, community workers, zoo keepers, planners, engineers and others . . . . all came together to make Metro Toronto a better place in which to live, to work and to play.

Highlights of the Year
Ended December 31, 1989

Operating

- Metropolitan Toronto Police Force establishes Sexual Assault Squad to provide specialized investigations in response to community concern about violence against women
- Reduction and recycling initiatives result in 200,000 tonnes of material being diverted from landfill facilities
- Integrated trauma program initiated by Metro Ambulance Services to enhance quality of care
- Three-year program of phased improvements to the waterfront park system completed by Metro Parks
- Metro Homes for the Aged adopts a Residents' Bill of Rights which is translated into five languages
- New equal employment opportunity policy commits Metro to goals for the increased hiring of persons with disabilities and other target groups
- Metro's Personnel Department provides an AIDS education program in support of the corporate AIDS policy
- Final closing arrangements for Metro Hall, the new headquarters of the Metropolitan Corporation, completed on October 31, 1989

Financial

- Operating surplus for the 36th straight year, $55.2 million in 1989
- Reserves and reserve funds up $66.9 million, to $353.9 million
- Debt service charges as a percentage of general tax levy decline to 12.4% from 13.9% in 1988
- Triple "A" credit rating confirmed by major international credit rating agencies
- Debentures totalling $200 million issued on Euro and domestic bond markets; $28 million of debt redeemed prior to maturity
- Distinguished Budget Presentation Award of the Government Finance Officers Association of the United States and Canada received for the first time

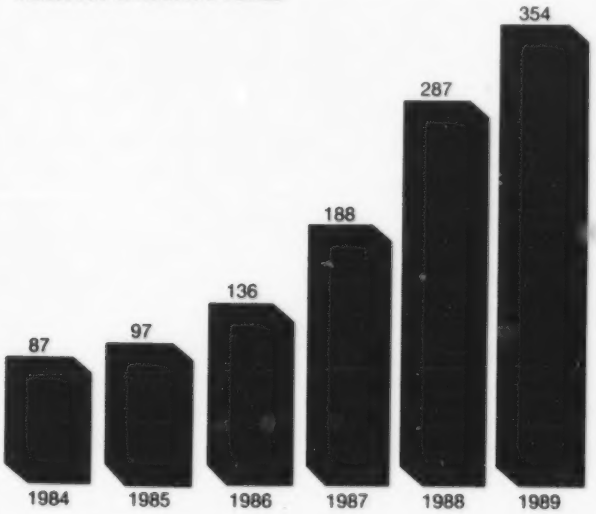
Results for the Year
Ended December 31, 1989

($ millions)

	1989	1988	% Increase
Levy on area municipalities	**$ 949**	$ 828	+14.6
Provincial grants	**843**	767	+ 9.9
User charges	**836**	737	+13.4
Current expenditures	**2,341**	2,131	+ 9.9
Capital expenditures	**423**	403	+ 5.0
Net long term liabilities	**466**	458	+ 1.7
Reserves and reserve funds	**354**	287	+23.3

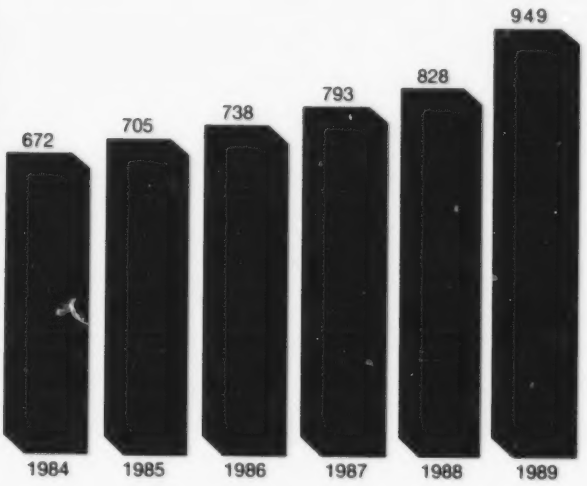
($ millions)

Reserves & Reserve Funds



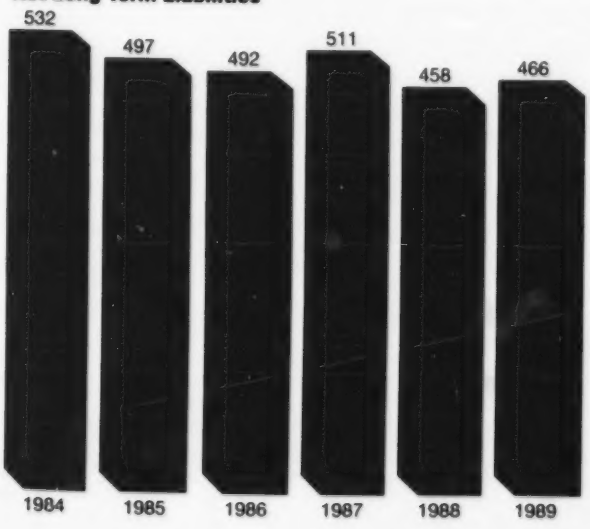
($ millions)

Levy on Area Municipalities



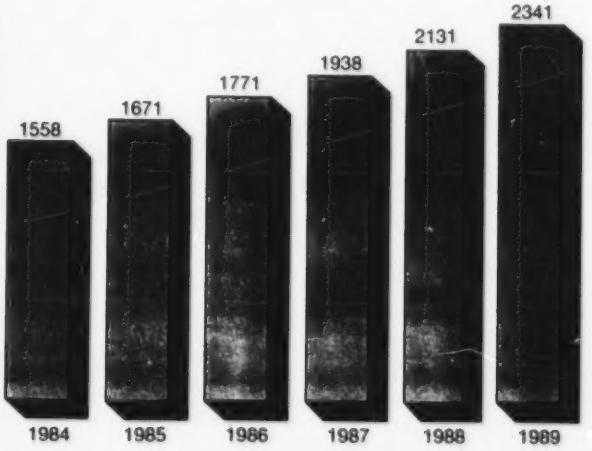
($ millions)

Net Long Term Liabilities



($ millions)

Current Expenditures



Metropolitan Chairman Alan Tonks (right) and Dale E. Richmond, Chief Administrative Officer, tour site of Metro Hall, new headquarters of the Metropolitan Corporation, scheduled for opening in 1992.

The Municipality of Metropolitan Toronto enters the final decade of the twentieth century with a solid foundation of achievement. It continues to fulfill its original role of providing and enhancing our urban infrastructure and, in so doing, ensures that its citizens can enjoy a quality of life of which we can all be proud, and one which is recognized around the world. The new decade has also brought its own range of serious challenges associated with our vigorous urban growth, and today we stand on the threshold of an entirely new era — one in which our success will be determined by how well we learn and refine the delicate art of managing change, and by our capacity to examine and understand the issues our society has put before us.

This Annual Report provides a record of the many ways in which the Metropolitan Corporation met identified community needs in 1989, and highlights the management and service philosophy that will guide the provision of quality municipal services in the decade ahead.

The accompanying financial statements attest to the sound and stable financial condition of the Municipality and demonstrate how the Corporation's innovative and forward looking financial management policies, consistently applied over the last three and a half decades, have secured for Metropolitan Toronto's debentures the highest possible credit rating on the international municipal bond market.

The past year was marked by the impact of the government of Ontario's unilateral decision on funding restrictions for municipalities and by the shifting of provincial responsibilities to the municipal level without adequate accompanying funding. These developments combine to place an additional burden on our municipal tax base at the very time the demand for new and ongoing service and capital infrastructure improvements appears to be the most pronounced.

Metropolitan Toronto has consistently exercised stringent control over its debt in order to respond effectively to the anticipated capital requirements facing its citizens in the future. New efforts must be made to maintain flexibility in Metropolitan Toronto's debt capacity at a time when the Corporation is hampered by the impact of additional expenditures due to the province withdrawing from traditionally cost-shared programs.

One of the significant events of 1989 occurred in the area of municipal tax reform when Metropolitan Toronto Council approved a plan for a metro-wide reassessment of property values. The Council also asked the government of Ontario to remove the cost of education from the property tax base and formed a committee to examine other municipal tax reform proposals.

In terms of service delivery, 1989 was clearly a year dominated by environmental issues, particularly in the area of solid waste management. Metropolitan Toronto, in concert with its area municipalities, moved on a number of fronts in terms of instituting its "3R's" philosophy of reduction, reuse and recycling. An important initiative was the adoption of a comprehensive Waste Reduction and Recycling Plan intended to guide our waste management initiatives well into the new decade. As well, the Metropolitan Corporation played a leading role in the discussions of Regional Chairmen seeking viable, long term solutions to the management of solid waste in the Greater Toronto Area.

Concern for the environment has also been reflected in the operating philosophy of Metro's other major service providers: as an example, the Toronto Transit Commission in 1989 was actively involved in a demonstration program testing Compressed Natural Gas buses, considered to be quicker, cleaner-burning and less expensive to operate than those run on diesel. Twenty-five of these buses have been ordered and it is anticipated that a hundred more will shortly be added to the Commission's fleet.

Metropolitan Toronto residents have always been proud of their humane, clean, workable community. But the rapid growth of the 1980's has also intensified social problems and underlined the importance of developing a social plan that will guide our community service strategy well into the next century. To address this need, Metropolitan Council has established a task force to co-ordinate the development of a social plan for the municipality that will protect and reinforce our reputation as a caring and safe place in which to live and work. This initiative is particularly timely in light of the recent recommendations of the Provincial-Municipal Social Services Review Committee which propose a new framework for provincial-municipal management of the social service systems. Specifically, the recommendations recognize the need to clarify and realign the responsibilities of the two levels of government, and, if adopted by the Province, are anticipated to have a significant impact on the planning, management, funding and operation of the entire metropolitan community services system.

Two major initiatives that will help define the future face of Metropolitan Toronto and guide our ability and capacity to shape the kind of urban community in which we want to live and work gained momentum in 1989. The consensus on a need to clarify our sense of long term direction and related service priorities led to the establishment by Metropolitan Council of a strategic planning process which recognizes that policies and programs cannot be considered in isolation: it will, accordingly, address the need to improve strategies to deal with interconnections among economic considerations, human services and urban infrastructure imperatives. Concurrently, our Metropolitan Plan Review will link a variety of planning efforts for Metro leading to the development of a new plan defining the services and opportunities to be offered by Metropolitan Toronto. With a strong emphasis on public consultation, the review is looking at affordable housing, transportation, employment, environmental policy, parks, open spaces and waterfront, recreational facilities, heritage, civic design and the relationship of Metro Toronto to the Greater Toronto Area.

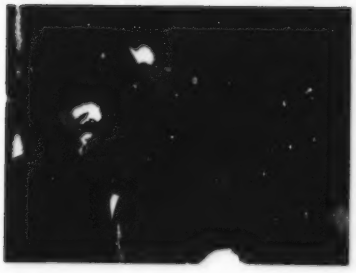
Finally, in 1989 construction began on Metro Hall, the new headquarters of the Metropolitan Toronto government, scheduled for occupancy in 1992. Reflecting state of the art technology and building design, Metro Hall will reinforce the overall role of the metropolitan government in the eyes of the public.

Looking to tomorrow, we believe that our immediate challenges will include refining the structural and procedural processes required by the directly-elected Metropolitan Council; the development of stable and constructive relationships with the provincial and regional governments on corporate policy and municipal finance issues; and effective representation of Metropolitan Toronto's needs in ongoing regional activities through the Greater Toronto Area initiatives in waste management, infrastructure development and inter-regional planning. We will go about the tasks at hand in full recognition that the Metropolitan Corporation's primary mandate is the equalization of services, benefits and opportunities for all of its citizens.

Metropolitan Toronto is in business to provide effective and efficient municipal services to its citizens in accordance with established priorities and fiscal realities. The quality of service delivery is closely related to the quality of municipal staff and I note with pride the high standard of excellence in management and service to the public consistently demonstrated by employees of the Metropolitan Corporation, its boards and agencies. I believe that their efforts over the years have contributed significantly to the success of the Metropolitan government.

Governing Canada's largest municipality is a complex and challenging task. On behalf of Metropolitan Council, I extend my appreciation to all the employees of the Metropolitan Corporation, its boards and agencies for their purpose and endeavour in the provision and marketing of quality municipal services in 1989. The continued progress and stability of Metropolitan Toronto would not be possible without their loyalty and support. Together, we embrace the opportunities and challenges of the future.

Alan Tonks
Chairman, Metropolitan Toronto Council



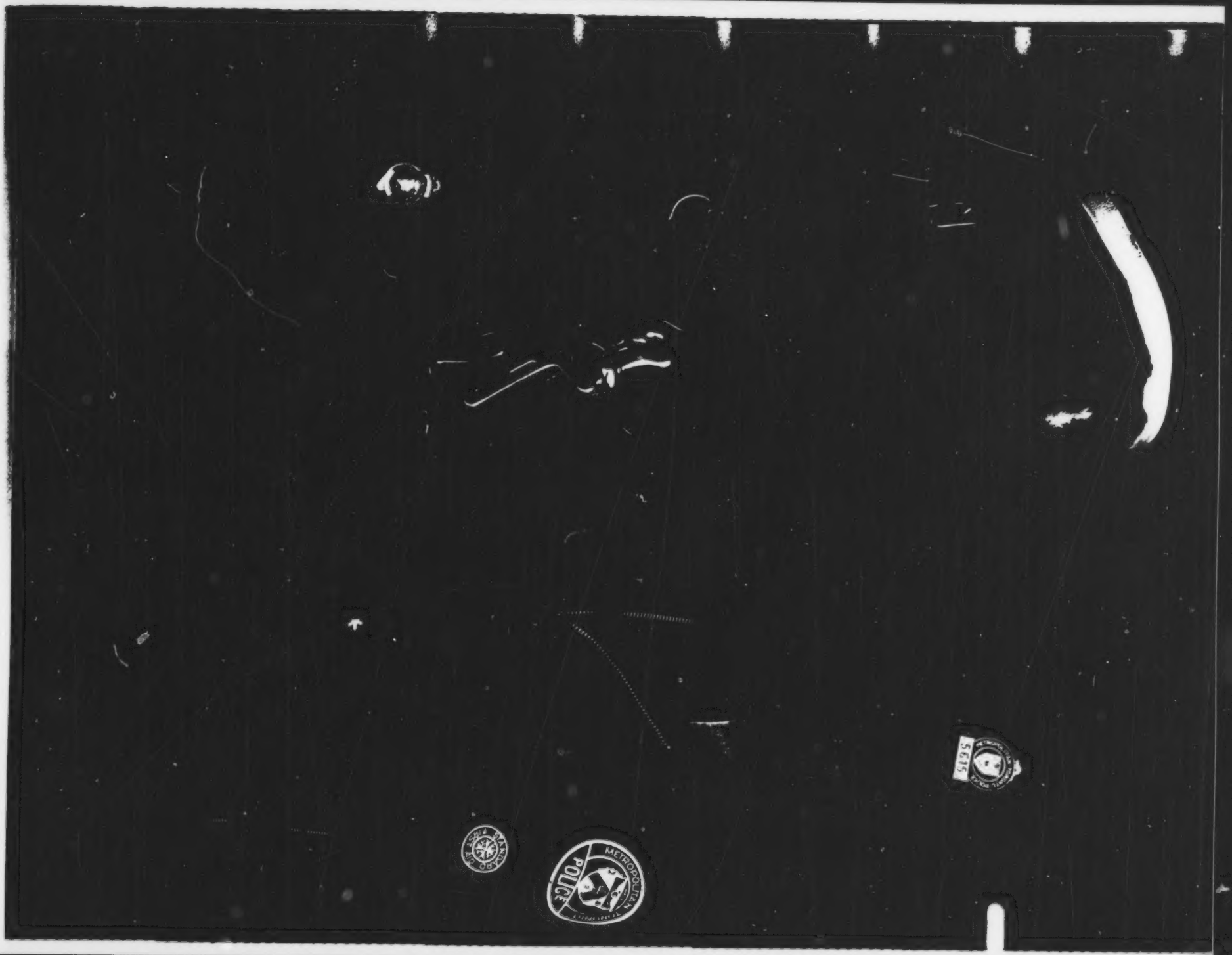
The Metropolitan Board of Commissioners of Police is responsible for the policing and maintenance of law and order within Metropolitan Toronto. The Police Force responds to calls for service from citizens, participates with individuals and organizations in preventative activities and develops and implements programs to enhance the safety and well-being of the Metropolitan Toronto community.

One of the more significant accomplishments of the Police Force during 1989 was the expansion of community-based policing as part of the first phase of a three-year program. Designated units completed local needs assessments, selected specific areas most likely to benefit from co-ordinated police/community problem-solving, allocated resources to address local needs and initiated specific programs appropriate to local areas. Recognizing that the essence of community-based policing is serving the public in accordance with local needs and priorities, the Police Force is constantly endeavouring to be flexible enough to adjust to changing public priorities and to meet its responsibility for nurturing and strengthening the relations between members of the Police Force and diverse ethnic communities.

In 1989, the Police Force added another innovative dimension to its planning and budgeting process with the establishment of an "Environmental Scan Comittee". This committee evaluates the impact of the Force's strategy in past years, examines the divergent current and future needs of the communities within Metropolitan Toronto specifically identifying issues and priorities, and finally determines future goals and objectives for the Force.

The challenge of meeting a variety of expectations of an increasingly diverse community in an environment of ongoing fiscal retrenchment has compelled the Metropolitan Toronto Police Commission to re-examine the traditional assumptions about how to allocate the resources at the disposition of the Force. Now, more than ever, the motto of the Police Force, "Prudence, Fortitude and Justice" underlies the philosophy of the Commission in the discharge of its statutory responsibilities.

One of the first female members of the Mounted Unit of the Metropolitan Toronto Police Force. ▶


POLICE
METROPOLITAN

The Toronto Transit Commission (the T.T.C.) operates the public transportation system within Metropolitan Toronto and, as an indication of the value of the system to the public, its transit usage as measured by ridership per capita is the highest among large Canadian and U.S. transit systems.

In 1989, the Commission responded to the challenge of providing efficient, reliable service in an environment of increased traffic congestion and decreased capital funding by getting back to basics and reviewing its emphasis on service, safety and courtesy — the Commission's philosophy since its earliest days.

The year was marked by the following major developments:

- An environmental assessment process began for a 2 km rapid transit extension line from Wilson Station on the Spadina subway line to Sheppard Avenue, the first link of a rapid transit system needed to serve northern Metro.
- Construction continued on the Harbourfront Light Rail Transit line, which opened in 1990. The completed 2.1 km streetcar line is estimated to cost $58.3 million and is the first to be built in the City of Toronto in more than 60 years.
- In recognition of the increasing need to provide service for the elderly and people with disabilities, and to provide a sound planning base for this important future direction, the Commission conducted a study to determine how many elderly people and people with disabilities will require special transit services; what their primary needs are; and what public transit can do to meet these needs.
- On January 1, 1989, the Commission took over the direct operation and maintenance of Wheel Trans, a specialized, door-to-door transportation service for people with disabilities. During the year, Wheel Trans ridership grew by 135,000 rides, bringing the year's total to 793,000.
- With emphasis on the ongoing need to develop safety awareness and confidence among riders, particularly women, the T.T.C. joined with the Metro Toronto Action Committee on Public Violence Against Women and Children and the Metropolitan Toronto Police Force to conduct a pioneering safety audit of the subway system. The Commission subsequently implemented 55 of the key recommendations in "Moving Forward", the report from the audit.
- With the opening of SkyDome in June 1989, the Commission executed a highly successful month-long service strategy to promote the benefits of travelling by transit to the new stadium. Ticket holders to SkyDome events could use their SkyDome tickets for transit rides to and from the Dome. The "To the Dome and Home" campaign strategy paid dividends in terms of demonstrating to millions the very real advantages of using public transit facilities and leaving the car at home.
- To encourage better customer relations, reinforce the importance of a positive customer service attitude and boost courtesy on the system, more than 600 operators, management and supervisory staff took part in the "Transit Ambassador" program, developed by the Canadian Urban Transit Association, the T.T.C. and other Canadian transit systems.
- In 1989, the Commission strengthened its commitment to equal opportunity by introducing a results-oriented policy supported by a comprehensive management training strategy and a proactive recruitment program.

A "Let's Move" program announced by the government of Ontario whereby $5 billion of provincial funding will be made available for designated new transit lines or the expansion of existing lines over the next ten years speaks to the confidence placed in the future role of public transit in Metropolitan Toronto.

In 1989, the Toronto Transit Commission searched for new ways of providing comfortable, reliable service without increasing costs, implementing the successful ideas on its subway and surface routes. ▶

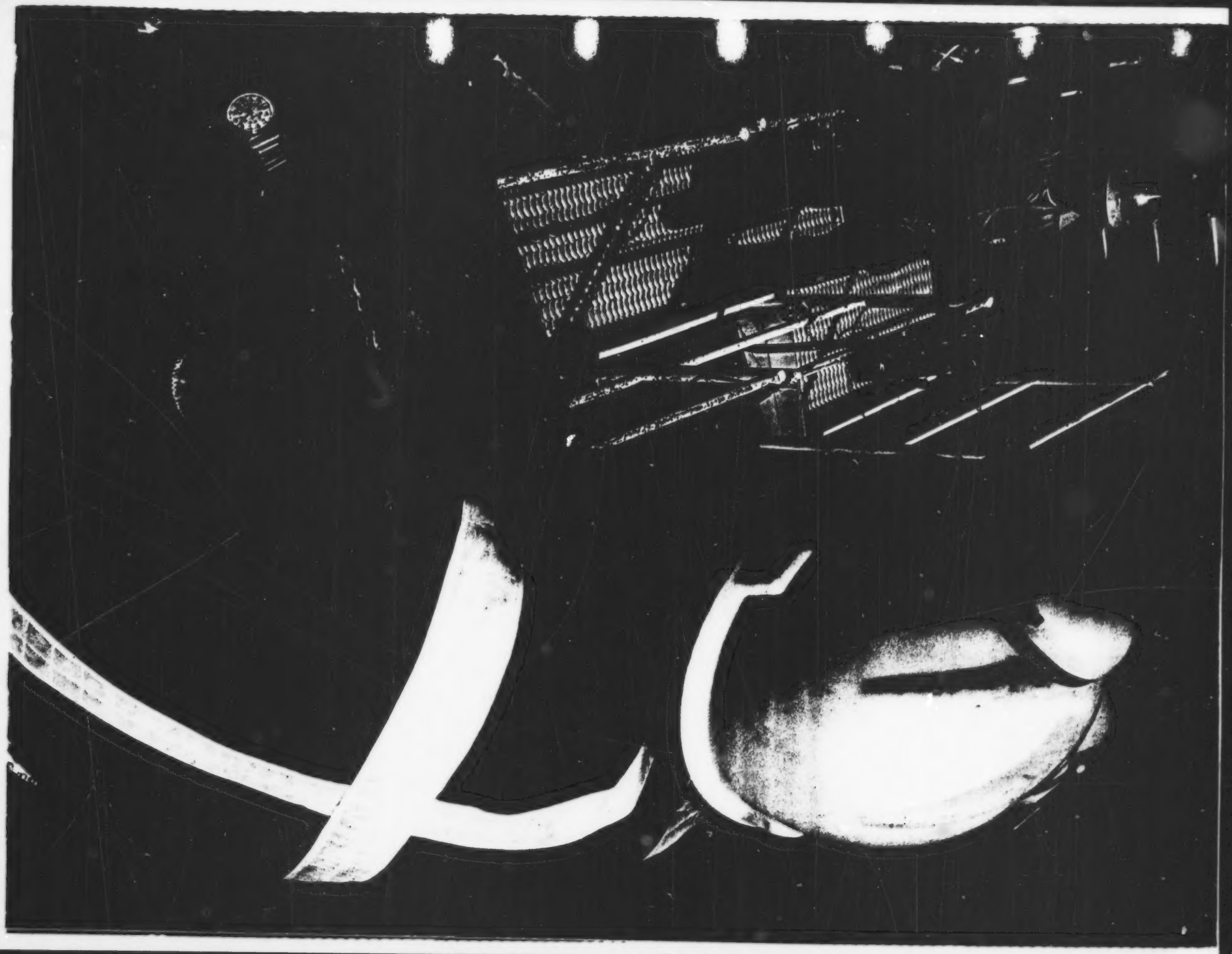
The Metropolitan Department of Transportation is responsible for the operation and maintenance of over 700 kilometres of metropolitan roads and, with design and construction support, for the implementation of the transportation programs of the Metropolitan Council. The Department is committed to the application of innovative, economic and environmental measures that will enhance safety, mobility and accessibility and contribute to the physical, social and economic growth of the metropolitan community.

In addition to routine maintenance and snow removal operations, the Department awarded and supervised over 50 contracts for resurfacing and reconstruction of roads and the repair of bridges during 1989. Included was major rehabilitation work to the deck of the Gardiner Expressway which is proceeding on schedule.

The Traffic and Planning Branch managed a system of 1601 traffic control signals throughout Metropolitan Toronto in 1989, 97% of which were under the control of a central computer system. To address the dynamic requirements of arterial traffic flow, over 1600 investigations were undertaken in 1989 to deal with issues such as the need for traffic control devices, parking regulations and access control.

The Department is proceeding through the final stages of an organizational development project following a recent major restructuring and the implementation of a management training plan. These initiatives are aimed at accommodating the transportation demands of new development while maintaining the operational integrity of the metropolitan roads system.

Going to great heights to ensure public safety . . . Metro Transportation employees conduct an inspection of one of the 300 bridges within the Metropolitan roads system. ▶



For the Metropolitan Works Department, charged with the responsibility of environmental service delivery, 1989 was clearly a year dominated by solid waste management issues and achievements. However, significant sewer system capacity issues and water supply distribution system capital works activity were also high on the agenda.

An important financial development during 1989 was the establishment of a multi-year rate planning process for water and sewer surcharge rates which modified previous financial policy to reflect current and foreseeable operational and service demand realities. The revised capital financing guidelines now provide for the self-financing of water pollution control services and fully utilize its available user-financing base. Concurrently, any operating surplus generated in the water supply function will be available to finance water supply capital expansion. Continuation of this policy will enable the significant capital expansion programs, for both the water supply and the water pollution control functions, to proceed at a planned pace.

Metropolitan Council in 1989 adopted a comprehensive Waste Reduction and Recycling Plan which contained over 30 points of action and intent as a means of instituting an effective "3R's" (reduce, reuse, recycle) philosophy. Several solid waste management initiatives were undertaken during the year, in collaboration with the six area municipalities.

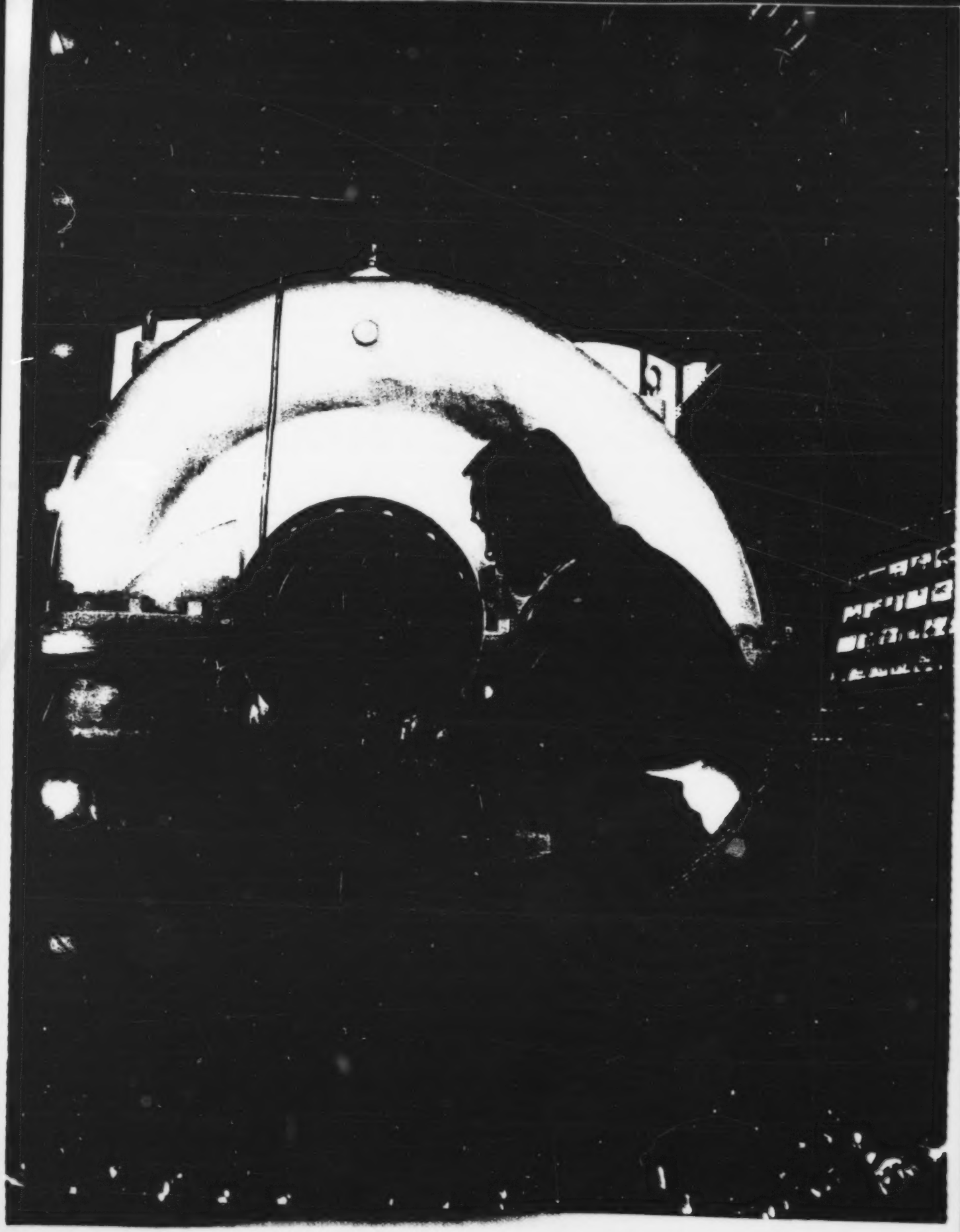
On March 14, 1989, the Regional Chairmen's proposals for a long-term plan for the management of waste in the Greater Toronto Area were announced to provide an approach to the resolution of solid waste management issues requiring viable solutions.

During the year, Metro Toronto further expanded its involvement in the Ontario Ministry of the Environment's Municipal Industrial Strategy for Abatement program. This includes analyses to identify the industrial chemicals coming into the sewage treatment plants, the adoption of a plan to address spills into the sewer system, participation in an industrial inventory and an audit of enforcement activities.

Looking to the future, the adoption in 1989 of a new Sewer Use Control By-law will require 6,000 commercial/industrial establishments to complete a Waste Survey Report in order to provide Metropolitan Toronto with an updated listing of all establishments using the Metropolitan sewer system. This survey will enable the municipality to catalogue all significant industrial dischargers and to establish a comprehensive enforcement program.

The quality of water furnished to users of the Metropolitan water supply system continued to be monitored carefully in 1989, and results were satisfactory with the maximum number of trace contaminants in any one sample always well within the Ontario Drinking Water guidelines.

Preventive maintenance at the R.C. Harris Filtration Plant in Scarborough, Metro's largest water filtration facility. The Metropolitan Waterworks System has a production capacity of 2.5 million cubic metres per day. ▶



The Department of Ambulance Services is responsible for the provision of pre-hospital emergency medical services within Metropolitan Toronto. The Department was created in 1975 through the amalgamation of both public and private ambulance services, and in the years since its establishment, Metropolitan Toronto has earned an international reputation for service excellence and innovation in the pre-hospital care field.

The service provides ambulance coverage for the 632 square kilometers of Metropolitan Toronto through a combination of station-based and mobile vehicles. There are 40 ambulance stations strategically located across Metropolitan Toronto enabling the Department to maintain an average emergency response time of seven minutes. In addition, the Department of Ambulance Services, in co-operation with the Metropolitan Toronto Police Force and the six municipal fire departments, has in place a comprehensive, multi-agency program that ensures a rapid response of trained personnel to serious and life-threatening medical emergencies.

During 1989, the Ambulance Services Communications Centre processed 390,000 requests for service, effected several major infrastructure improvements to its telecommunications system and initiated measures which further enhanced the quality of pre-hospital emergency medical care. On the international scene, the Department competed in the World Championships for pre-hospital emergency care, held in South Carolina, and placed third among 34 team entrants.

The focus on excellence by the Department is not restricted to its external service delivery role. Staff of the Department receive the most comprehensive in-service training programs available in Canada. In addition, the telecommunications infrastructure of the Department utilizes some of the most advanced communicationstechnologyavailable.TheDepartment thereby is adapting to the changing demands in the field of emergency medical services and continuing to provide the highest level of pre-hospital care to the citizens of Metropolitan Toronto.

Metro's computer-aided ambulance control centre, one of the largest in North America, allows for a dynamic and fluid service delivery process. ▶

The Community Services Department of the Metropolitan Corporation provides social services of both a mandatory and discretionary nature to residents of Metropolitan Toronto, according to criteria and under legislation of the metropolitan and provincial governments. The delivery of these services is either direct, through staff of the Department, or indirect through grants and purchase of service from agencies. The services provided to the Metropolitan Toronto community include:

- Income maintenance under the General Welfare Assistance Act, including discretionary assistance under its supplementary aid and special assistance provisions.
- Emergency and relief shelter and board under the Hostels program.
- Pre-employment support services to integrate social assistance recipients into the labour force.
- Assistance in community development for underserviced areas and groups at risk.
- Subsidized quality day care for children in need.
- Residential and extended care for residents of Metro's Homes for the Aged and Satellite Homes, and community services to the elderly through Home Day Centres.
- Provision of assisted housing to senior citizens and families.

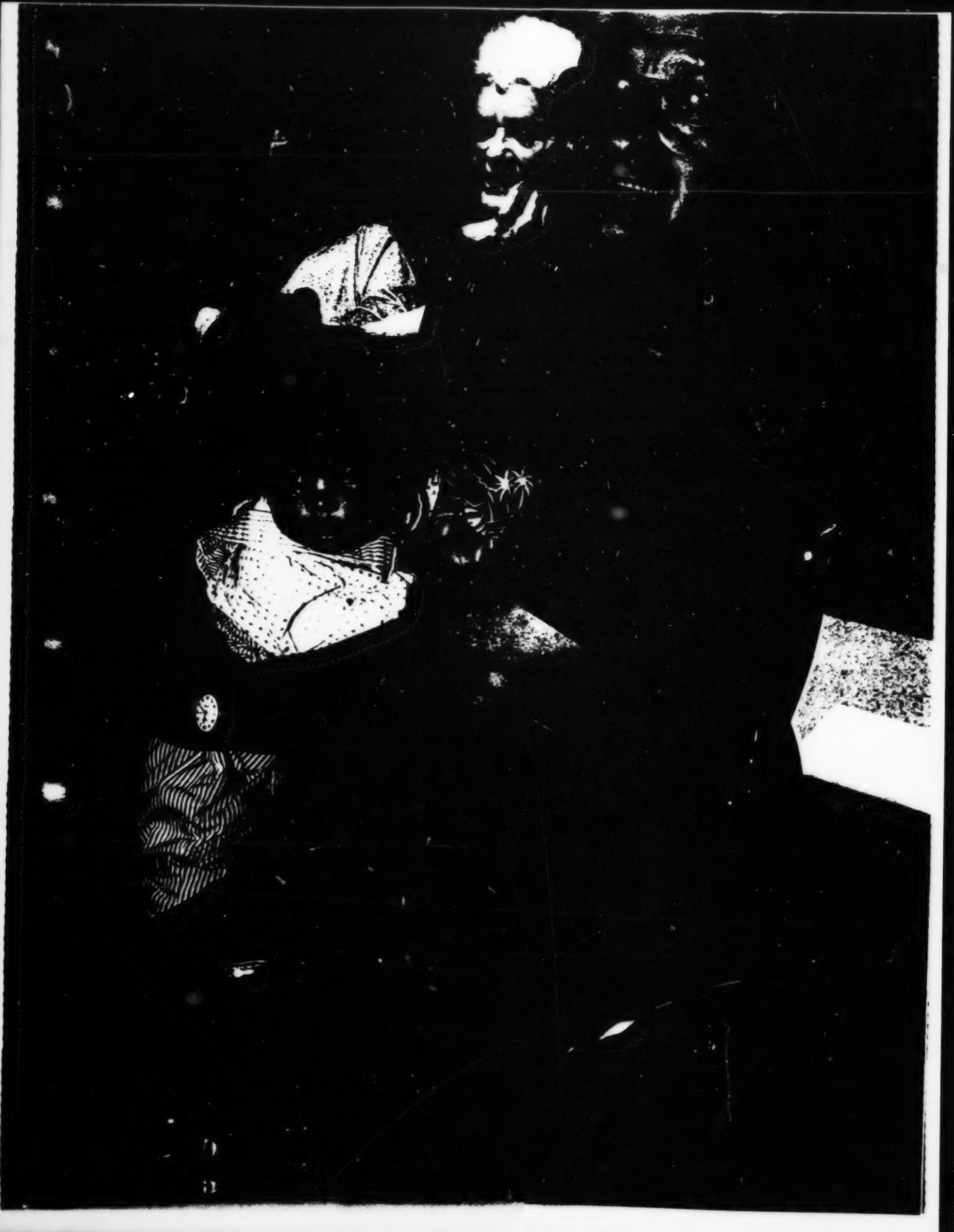
In addition to the delivery of defined services, the Department is responsible for identifying the emerging social services needs of Metropolitan residents and developing proposals to address them for submission to the appropriate jurisdiction.

In 1989 the Department had the opportunity to study in detail the report of the Provincial Social Assistance Review Committee (SARC) which concluded an exhaustive review of all aspects of Ontario's social assistance system and related programs. The report's 274 recommendations clearly indicate that sweeping changes are needed in the provincial social assistance network if the client population is to make the transition from dependence and exclusion to self-reliance and integration. Additionally, implementation will clearly alter not only the focus of the department but the nature and job content of departmental staff.

As the largest municipality in Canada, Metro Toronto played a key role in the Committee's review process. Staff were involved in drafting Metro's position paper which was submitted at the public hearings, and also contributed to submissions by the Association of Municipalities of Ontario and the Ontario Municipal Social Services Association. As well, some members of the Department were seconded to the Social Assistance Review Committee to draft individual reports dealing with a number of administrative and financial components.

Another recent major public pronouncement which will have a major impact on future service directions for the Department is the report of the Provincial-Municipal Social Services Review Committee. This review was initiated in 1987 to examine the existing provincial-municipal relationship regarding the funding and delivery of social services and, in particular, to consider in detail provincial and municipal roles and responsibilities in this regard. The Committee has recommended a realignment of the management, funding and planning responsibilities for provincial and municipal governments to ensure improved planning and co-ordination of service delivery and a more rational approach to funding.

Residents bridge the generation gap at "Seven Oaks", Metro's newest Home for the Aged, opened in March 1989. Metro Homes' management philosophy recognizes that the dignity of the human person must be honoured and the quality of life and creative self-expression of each individual must be advanced. ▶



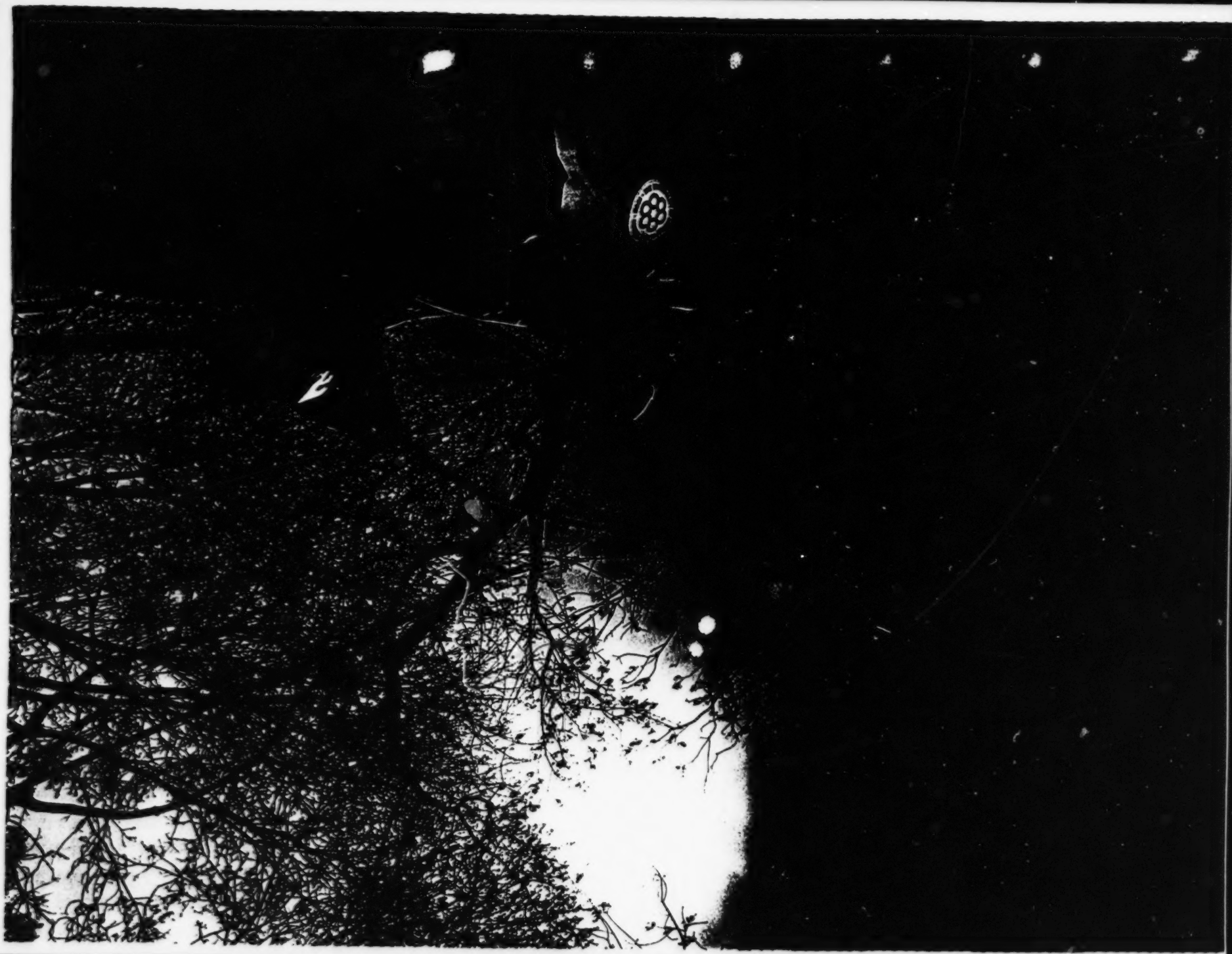
"The tempo of modern living and the density of our population makes it essential that nature be preserved in those areas where it still exists. Metropolitan parks should offer opportunities for an outdoor experience — a basic need of people — in a manner in which they can enjoy . . . they will serve as the laboratories for outdoor education and conservation. Indeed, the whole concept of Metropolitan parks should be consistent with the highest ideals of conservation itself." This statement, part of an initial policy pronouncement respecting the provision of recreation facilities in the Metropolitan Parks System and adopted by the Metropolitan Council in 1956, is still the driving philosophy of the Metropolitan Parks and Property Department nearly three and a half decades later.

The Department fulfills its recreational mandate through the provision of 4618 hectares of parkland located all across Metropolitan Toronto. In addition it provides displays of horticulture and arboriculture of interest to the community; selected sport and active recreational facilities on a user-pay basis; and water transportation services to the Toronto Islands.

Recent analyses of recreation and leisure trends, undertaken to determine future facility needs and program requirements, demonstrate that recreation is progressively becoming a year-round activity and that there exists a gradual but definite shift from traditional, organized competitive sports to more casual, individual, adult-oriented activity. Indications are that demand for urban recreation facilities will become more critical with increasing discretionary time, innovative work hours, shortened work weeks, longer vacations and earlier retirement.

Metropolitan Council continues to actively expand its recreational resource base to keep pace with the growing interest of its citizens in the peaceful pleasures of its great outdoors.

Healthy trees for a healthy environment — arborists prune a tree at one of the 43 Metro regional parks. Metro works in harmony with the natural characteristics of the land to produce a careful balance between active recreation and urban wilderness for all to enjoy. ▶



John L. Pickard, Commissioner of Finance and Treasurer

The Municipality of
Metropolitan Toronto

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City Hall, West Tower, 10th Floor
Toronto, Ontario, Canada M5H 2N1

John L. Pickard, B.Com., F.C.A.
Commissioner of Finance and Treasurer

M. A. Brooks, I.P.F.A.
Deputy Treasurer

I am pleased to present the Annual Financial Report of the Municipality of Metropolitan Toronto for 1989 and to highlight some of the more significant financial activities which occurred during that year.

Economic and Financial Overview

Metropolitan Toronto experienced strong economic growth in 1989 as evidenced by the lowest unemployment rate in the country (4%) and a record $4.3 billion worth of building permits. The factors contributing to this vibrancy include Metropolitan Toronto's acknowledged quality of living along with the region's capacity to draw a high proportion of immigrants from within and outside of Canada. Moreover, Metro Toronto continues to be seen as a highly desirable location in which to live and do business.

With the signing of the Free Trade Agreement, the pressure for Canadian firms to compete on the North American and international stage has escalated to unprecedented levels, with many Metropolitan Toronto based companies implementing new strategies to deal with the shifting economic realities. For its part, the Municipality of Metropolitan Toronto is taking steps to work in close partnership with the business, labour and education community to ensure that we remain a livable and competitively sustainable city.

The financial position of the Metropolitan Corporation was further consolidated in 1989 with the Municipality continuing to retain its "Triple A" credit rating in respect of its municipal debenture issues. For the 36th consecutive year, the Corporation completed its service operations well within budget and the 1989 operating surplus, in excess of $55 million, was used to reduce the 1990 tax rate. In addition, the Municipality substantially augmented its reserves and reserve funds from $287,001,000 at January 1, 1989 to $353,922,000 at the end of the year.

Current Operations

As indicated previously, the 1989 current fund surplus recorded by the Metropolitan Corporation in respect of its general municipal purposes amounted to $55,160,000 and is attributable to a number of circumstances, the more significant of which are outlined below:

(a) underexpenditure in transit operating costs as a result of the seven-week union job-action, offset somewhat by a shortfall in fare box revenue as a result of reduced ridership;

(b) higher than budgeted revenues from landfill operations resulting from an increase in the volume of private waste;

(c) underexpenditure in the Social Services Division arising from a lower general welfare assistance caseload and average cost per case;

(d) underexpenditure in hostel operations pursuant to the deferral into 1990 of purchased hostel services;

(e) lower than budgeted costs of snow removal and surface and winter maintenance of metropolitan roads;

(f) a significant increase in unallocated corporate revenue primarily related to the metropolitan share of supplementary taxes levied by the area municipalities and corporate interest earnings;

(g) a substantial balance remaining in the general corporate contingency appropriation.

Operating Expenditures

In 1989, the general operating activities of the Municipality and its consolidated local boards and municipal enterprises resulted in total gross expenditures of $2,655,550,000 as compared with total gross expenditures of $2,382,232,000 in 1988, an increase of 11.5%.

The following table details the expenditure for the year classified by program and by object.

($ thousands)

	1989 Actual	%	1988 Actual	%	Increase 1989 over 1988
Program					
General government	**$ 150,425**	**6**	$ 130,533	6	$ 19,892
Protection to persons and property	**475,816**	**18**	439,767	18	36,049
Transportation services	**771,895**	**29**	739,677	31	32,218
Environmental services	**366,202**	**14**	294,260	12	71,942
Health services	**60,283**	**2**	55,062	2	5,221
Social and family services	**667,432**	**25**	567,211	24	100,221
Recreation and cultural services	**148,424**	**5**	142,615	6	5,809
Planning and development	**15,073**	**1**	13,107	1	1,966
	$ 2,655,550	**100**	$ 2,382,232	100	$ 273,318

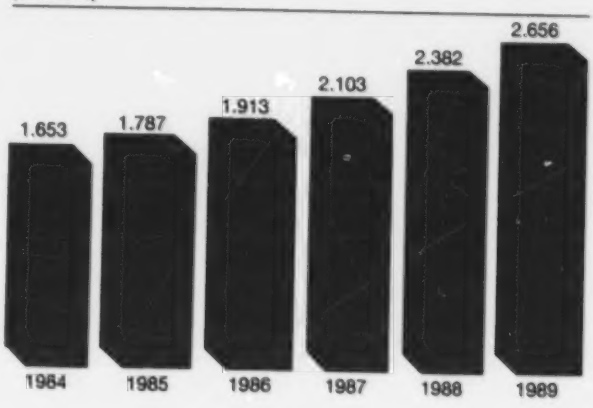
($ thousands)

	1989 Actual	%	1988 Actual	%	Increase 1989 over 1988
Object					
Salaries, wages and employee benefits	**$ 1,291,457**	**49**	$ 1,203,742	51	$ 87,715
Materials, supplies, services, rents and financial expenses	**581,729**	**22**	557,233	23	24,496
Capital additions	**62,152**	**2**	55,327	2	6,825
Operating transfers to other funds	**192,502**	**7**	88,403	4	104,099
Other transfers	**341,281**	**13**	295,655	12	45,626
Capital financing charges	**186,429**	**7**	181,872	8	4,557
	$ 2,655,550	**100**	$ 2,382,232	100	$ 273,318

As in the past several years, the operations of the Toronto Transit Commission, the Board of Commissioners of Police and the Community Services Department received, at 68%, (1988 – 68%) the largest portion of the total operating funds to finance their activities

The following graph details total current expenditures over the past six years.

($ billions)



Operating Revenues

In 1989, total operating revenues of the Municipality and its consolidated local boards and municipal enterprises amounted to $2,671,619,000 as compared with $2,366,286,000 in 1988, an increase of 12.9%.

The table below details the revenue for the year classified by source.

($ thousands)

	1989 Actual	1989 %	1988 Actual	1988 %
Taxation – (Levy on area municipalities, sale of water, supplementary taxes)	$ 948,669	36	$ 827,958	35
Ontario grants	723,118	27	648,174	28
User charges	835,502	31	736,702	31
Other revenue	164,330	6	153,452	6
	$ 2,671,619	100	$ 2,366,286	100

Taxation

The general tax levy on Metropolitan Toronto's six constituent area municipalities increased 14.7 % over 1988. The rate of growth in the assessment upon which the Metropolitan levy is based was 2.1% in 1989, a decline from 2.3% in 1988. As a consequence, the increase in the 1989 average equivalent mill rate, at 12.4%, was in excess of the annual Metropolitan Toronto inflation rate for the first time in five years.

Several factors combined to impact the Corporation's mill rate in 1989 chief of which were the unusually large annualization impact of programs approved in 1988, such as the additional staffing for the anti-drug program of the police force, and actions resulting from legislative mandate such as the implementation of a support infrastructure for a directly elected Council. More significantly, however, the ongoing series of actions initiated by the provincial government to reduce funding support and to transfer program responsibilities to Ontario's municipalities placed an additional burden on Metro Toronto's fiscal capacity.

Revenue from taxation in 1989 includes $28,531,000 received in respect of supplementary taxes levied during the year (1988 – $21,128,000) and $66,554,000 from the sale of water to the area municipalities (1988 – $64,657,000).

Ontario grants

The total amount of provincial financial assistance (both conditional and unconditional grants) received during 1989 was $723,118,000, an increase of $74,944,000 or 11.6% over 1988. Since unconditional grant funding was frozen by the Province for the fiscal year 1989, this increase is totally attributable to conditional grants.

The unilateral decision of the Government of Ontario to restrict the level of transfer payments to municipalities and, additionally, to transfer responsibility for some provincial services to the municipal sector without appropriate funding was the single most significant contributory factor to the double digit mill rate increase for 1989. This move to fiscal retrenchment on the part of the Province of Ontario particularly impacts Metropolitan Toronto due to the size of the population served and the financial magnitude of the programs that are cost-shared. The estimated impact arising from the restricted provincial funding levels and the transfer to the Municipality of certain provincial responsibilities was $72.5 million in 1989.

User charges

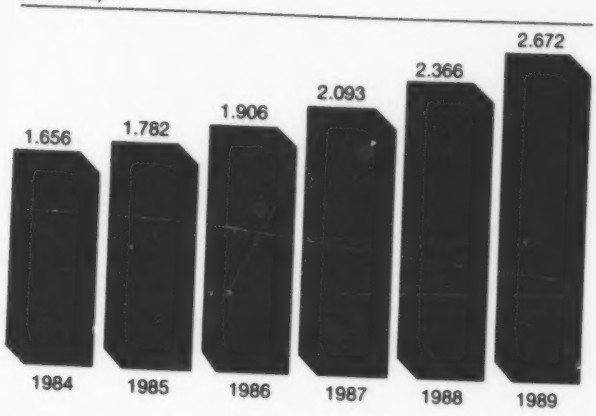
The substantial increase in revenue in this category in 1989 is primarily due to the increased tipping fees at landfill sites and transfer stations. Also, in line with Council's goal of having the total water system (water purification and supply and sewage treatment) completely self-financing, the sewer surcharge rate increase in 1989 also contributed to the increased user charge revenue. For all other items of revenue, Council's general policy is to increase user fees by the rate of inflation in the current year and, accordingly, any increases beyond that rate are primarily volume driven.

Other revenue

The increased rates for parking violation fines approved during 1988 were in effect for the entire 1989 fiscal year, accounting for the major portion of the increase in this category.

The following graph details total current revenues over the past six years.

($ billions)

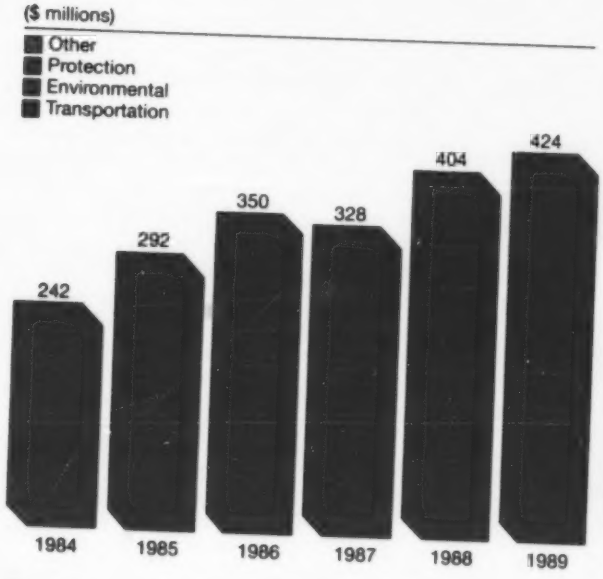


Capital Operations
The chart below illustrates the increase in capital expenditures over the last six years and is reflective of Metro Toronto's expanding needs resulting from the regions continued economic growth.

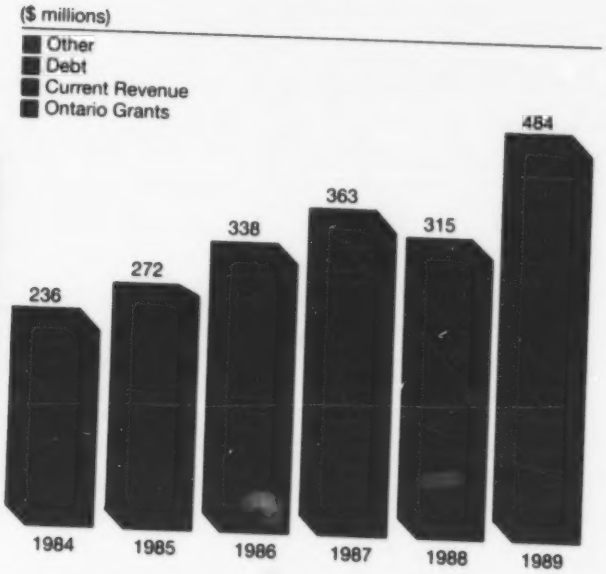
	1989 Capital Spending
▸ Main Sewage Treatment Plant, Stage 3	$44,300,000
▸ Humber Sewage Treatment Plant, Stage 2	14,300,000
▸ Transit Communication and Information System	13,600,000
▸ Resurfacing of Major Roads	13,200,000
▸ Metro Hall Construction	12,300,000
▸ Keele Valley Landfill Site, Stage 2	10,400,000

The sources of capital financing over the last six years depicted below highlight the minimal reliance on long term debt to finance Metropolitan Toronto's capital spending.

($ millions)



($ millions)



The following list of projects represents the major capital expenditures of 1989 and reflects the fact that the expansion of our transportation and environmental infrastructure is anticipated to dominate the Corporation's capital spending agenda in the foreseeable future.

Long Range Capital and Financial Planning
In 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines. This followed a comprehensive financial planning study which identified measures to control the Corporation's capital expenditures and debt servicing charges within limits to achieve multi-year financial targets established by Council. Adherence to this plan has enabled Metro to succeed in managing a substantial capital

expenditure program in a planned fashion and, at the same time, to maintain a responsible debt load and the highest credit rating available.

In 1989, the new directly elected Metropolitan Council reaffirmed its three criteria for the management of debt in the Metropolitan Corporation, namely:

- debt charges should average no more than 15% of the levy;
- the percentage of net capital expenditure to be raised annually in the levy should be no more than 50% of the financing required; and
- the mill rate should increase each year by no more than the estimated inflation rate within the economy as measured by the Consumer Price Index in the absence of significant expansion of existing programs or the introduction of new programs.

In order to meet increasing demands for infrastructure replacement, the Metropolitan Council has an aggressive five-year program of capital spending. Recent moves by the province towards fiscal retrenchment have taken the form of reductions in the allocation of total available capital subsidy dollars to municipalities and the imposition of a cap on the upper limits of subsidizable expenditures. Lack of adequate provincial funding will require either the curtailment of planned capital spending or possibly a review of the present debt management policy guidelines.

Debt Structure

The net long term liabilities of Metropolitan Toronto over the last six years for its own general municipal activities and municipal enterprises (exclusive of the Area Municipalities) are detailed below. Net long term liabilities for general municipal purposes are expressed on a per capita basis and as a percentage of taxable assessment.

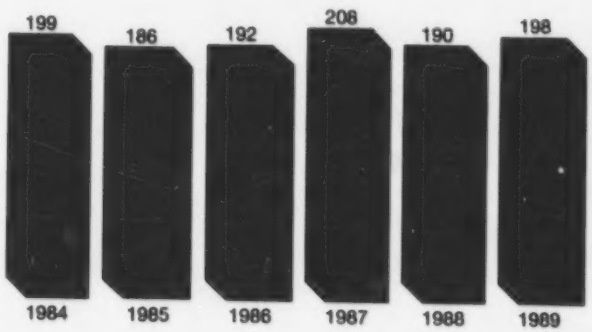
($ thousands) except per capita figures

	General Municipal Activities	Per Capita	Percentage of Taxable Assessment	Municipal Enterprises
1984	$ 424,222	$ 199	5.3	$ 108,171
1985	399,111	186	4.9	97,590
1986	408,783	192	5.0	83,296
1987	443,104	208	5.3	68,047
1988	405,040	190	4.7	52,821
1989	**423,189**	**198**	**4.8**	**42,524**

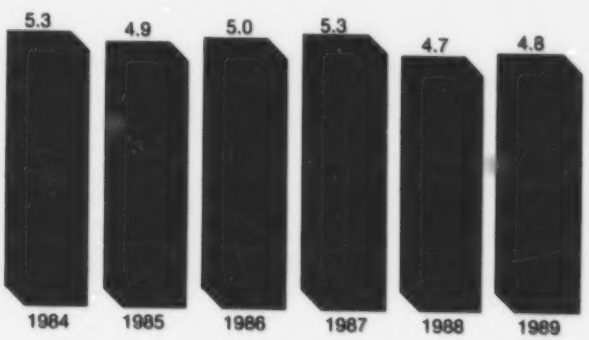
Metro Council's capital financing policy involving a "pay-as-you-go" annual provision of about 50 per cent of capital borrowing requirements has been one of the most significant contributing factors in the stabilization of the Corporation's net long term liabilities. The following charts illustrate the containment of the Corporation's outstanding debt load for general municipal activities expressed both in per capita terms and as a percentage of taxable assessment.

$

Per Capita Debt



Debt as % of Taxable Assessment



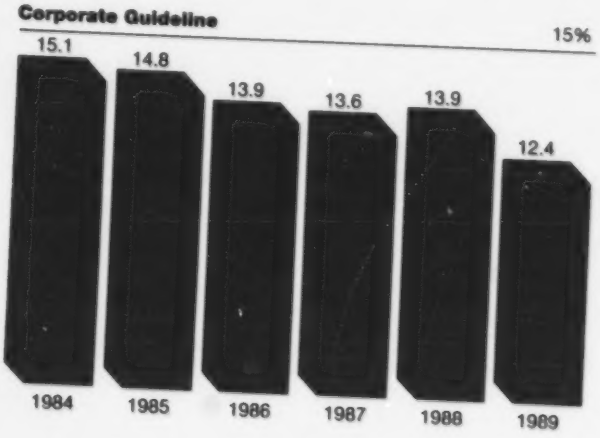
Debt Servicing

The debt servicing charges for the general municipal purposes of the Metropolitan Corporation as a percentage of total operating expenditures have shown a gradual and steady decline over the past several years as indicated by the table below. This can be primarily related to the consistent application of the Municipality's long-standing, formalized pay-as-you-go policies combined with the judicious use, in more recent years, of specific, project-related reserve fund financing in respect of the Corporation's major capital projects.

($ thousands)

	Debt Charges	Total Operating Expenditures	Percentage
1984	$ 91,797	$ 1,219,647	7.5
1985	93,936	1,310,864	7.2
1986	93,810	1,402,540	6.7
1987	98,695	1,560,063	6.3
1988	106,341	1,808,781	5.9
1989	**109,503**	**2,058,342**	**5.3**

The chart below shows Metro Toronto's debt servicing charges for general municipal purposes as a percentage of the general tax levy. This level continues to be well within the limit established by the corporate debt management guidelines and affords the Municipality future debt capacity needed in the years to come.



Reserves and Reserve Funds

The year end balances of Reserves and Reserve Funds of the Municipality for the last six years is related to total operating expenditures below:

($ thousands)

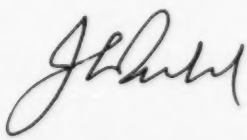
	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1984	$ 87,058	$ 1,652,959	5.3
1985	97,133	1,787,461	5.4
1986	135,728	1,912,871	7.1
1987	187,567	2,102,533	8.9
1988	287,001	2,382,232	12.0
1989	**353,922**	**2,655,550**	**13.3**

The increase in the reserves and reserve funds during the year is primarily due to the increase in funds set aside for the financing of additional refuse disposal capacity in the future.

Conclusion

The Council of the Municipality of Metropolitan Toronto is committed to the exercise of prudent financial management policies in the administration of its increasingly scarce resources. The immediate challenge is to ensure that financial management directions are closely related to decisions affecting the future of Metropolitan Toronto that are anticipated to result from a strategic planning process initiated in 1989. In an environment of increasing fiscal retrenchment on the part of our senior levels of government, it is vital that the challenges Metropolitan Toronto will face in the present decade are met within a sound financial structure.

Respectfully submitted



John L. Pickard, B.Com., F.C.A.
Commissioner of Finance and Treasurer

August, 1990

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department
7th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 392-8030

Allan G. Andrews, C.A.
Metropolitan Auditor

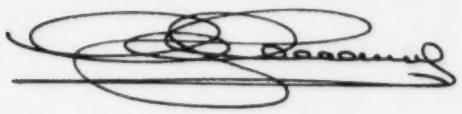
April 30, 1990

Auditor's Report

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the consolidated balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1989 and the consolidated statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Municipality as at December 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.



Metropolitan Auditor

Municipality of
Metropolitan Toronto

Consolidated Balance Sheet

December 31, 1989

($ thousands)

Assets	1989	1988
Unrestricted		
Cash	$ —	$ 17,077
Investments (note 3)	191,472	125,995
User charges receivable	71,903	61,638
Accounts receivable (note 4)	212,610	234,006
Other current assets	57,410	50,348
Long term receivables	4,784	6,887
	538,179	495,951
Restricted (note 11)		
Cash	700	768
Investments (note 3)	255,830	163,556
Accounts receivable	4,585	4,730
Other current assets	514	319
	261,629	169,373
Capital outlay financed by long term liabilities and to be recovered in future years	465,713	457,861
	$ 1,265,521	$ 1,123,185
Liabilities and Fund Balances		
Current liabilities		
Temporary loans	$ 3,880	$ —
Accounts payable and accrued liabilities	376,383	399,114
Other current liabilities (note 4)	50,720	40,483
	430,983	439,597
Net long term liabilities (note 7)	465,713	457,861
Fund balances at end of year		
To be used to offset taxation in the following year (note 10)	54,940	32,982
Transit operations (notes 9, 10)	(32,120)	(26,231)
Capital operations not yet permanently financed (note 10)	(7,917)	(68,025)
Reserves (note 11)	113,411	98,898
Reserve funds (note 11)	240,511	188,103
	$ 1,265,521	$ 1,123,185

See accompanying notes

Municipality of
Metropolitan Toronto

Consolidated Statement of Operations

Year Ended December 31, 1989

($ thousands)

Sources of Financing	1989	1988
Taxation and user charges		
Requisition on local municipalities	$ 2,581,907	$ 2,207,849
Less school board requisition	(1,633,238)	(1,379,891)
User charges	835,502	736,740
Grants		
Government of Canada	10,761	5,516
Province of Ontario	842,912	766,654
Other municipalities	22,679	14,877
Other		
Investment income	50,640	32,329
Sale of land	17,627	24,307
Fines	53,004	42,742
Other	48,204	46,224
Proceeds from the issue of long term liabilities	77,133	32,107
Municipal fund balances at beginning of year (note 10)		
To be used to offset taxation in the current year	32,982	57,670
Transit operations (note 9)	(26,231)	(34,973)
(Capital operations not yet permanently financed)		
Unexpended capital financing	(68,025)	20,680
Total financing available during the year	$ 2,846,057	$ 2,572,831
Applied to		
Current operations (note 8)		
General government	$ 108,561	$ 77,016
Protection to persons and property	450,603	415,224
Transportation services	696,194	676,668
Environmental services	229,269	212,959
Health services	53,597	49,437
Social and family services	658,008	560,899
Recreation and cultural services	129,950	126,152
Planning and development	14,827	12,898
	2,341,009	2,131,253
Capital operations		
General government	19,236	60,763
Protection to persons and property	28,041	31,661
Transportation services	198,231	177,242
Environmental services	130,330	90,427
Health services	6,298	6,408
Social and family services	15,183	15,348
Recreation and cultural services	25,762	21,370
Planning and development	143	199
	423,224	403,418
Net appropriations to reserves and reserve funds	66,921	99,434
Municipal fund balances at end of year (note 10)		
To be used to offset taxation in the following year	54,940	32,982
Transit operations (note 9)	(32,120)	(26,231)
(Capital operations not yet permanently financed)	(7,917)	(68,025)
Total applications during the year	$ 2,846,057	$ 2,572,831

See accompanying notes

1. Accounting Policies

The consolidated financial statements of the Corporation of the Municipality of Metropolitan Toronto are the representations of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs.

(a) Basis of Consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds of the Municipality and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Metropolitan Board of Commissioners of Police
Metropolitan Licensing Commission
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the Guild

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-consolidated entities

The following entities are not consolidated:

Metropolitan Toronto Housing Company Limited
Metropolitan Toronto Housing Development Corporation
Metropolitan Toronto School Board

(iii) Accounting for school board transactions

The Consolidated Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately on the Trust Fund Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years.

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Consolidated Balance Sheet, represents the sum of:

- The outstanding principal portion of unmatured long term liabilities for municipal expenditures;
- Long term obligations arising out of capital leases entered into by the municipality and its local boards;
- Capital funds transferred to those local boards and municipal enterprises of the municipality for which it is authorized to incur debt.

(v) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1989.

(vi) Restatement to municipal basis of accounting

The Toronto Transit Commission and Gray Coach Lines, Limited adopt a commercial basis of accounting in reporting their capital transactions. The financial statements of these entities have been restated to reflect the foregoing municipal basis of accounting prior to their incorporation in these consolidated financial statements (see also note 9).

2. Trust Funds

Trust funds administered by the Municipality and its local boards amounting to approximately $33,000,000 (1988 – $88,000,000) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

3. Investments

The unrestricted investments of $191,472,000 (1988 – $125,995,000) and restricted investments of $255,830,000 (1988 – $163,556,000) are reported on the Consolidated Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

4. Sinking Funds Surplus Monies

The Sinking Fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $22,450,000 in 1989 (1988 – $16,441,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Consolidated Balance Sheet under "Other Current Liabilities".

5. Pension Agreements

(a) *Ontario Municipal Employees Retirement Fund*

The Municipality contributes to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of approximately 14,500 members (52%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and final average earnings.

The amount contributed to OMERS for current service in 1989 was $31,984,000 (1988 – $28,508,000) and is included as an expenditure on the Consolidated Statement of Operations.

The latest actuarial valuation conducted at January 1, 1989, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) *Toronto Transit Commission Pension Fund Society*

Substantially all Commission employees, including those of Gray Coach Lines, Limited, are members of the Toronto Transit Commission Pension Fund Society.

Pensions provided by the society are based on length of service and average base year earnings. The average base years, which are currently 1985 to 1988, are updated from time to time, provided that the financial position of the Society so permits.

By agreement the Commission is obligated to contribute to the Society 6.25% of wages and salaries up to the year's maximum pensionable earnings as defined by the Canada Pension Plan, and 7.85% of wages and salaries in excess of this amount. Members contribute equally to the Society.

The contributions by the Commission amounted to $25,499,000 in 1989 (1988 – $24,495,000).

Based on Commission estimates, actuarial projections prepared during the year indicate that the December 31 present value of accrued pension benefits and the net Society assets available to provide for these benefits, at market values, are as follows:

($ thousands)

	1989	1988
Accrued pension benefits	$ 955,501	$ 840,757
Pension fund assets	864,924	776,280

(c) *Other Pension Plans*

The Municipality of Metropolitan Toronto and its various local boards and municipal enterprises are members in a number of other pension plans. These plans provide pensions based on length of service and final average earnings.

The amount contributed to these plans for current service in 1989 was $6,277,000 (1988 – $6,601,000) and is included as an expenditure on the Consolidated Statement of Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $21,860,000 as at December 31, 1989 (1988 – $32,183,000). This balance is being funded and charged to operations as follows:

($ thousands)

	1990 to 1992	1993 to 1994	**Total**
To be recovered from:			
General municipal revenue	$ 14,780	$ 6,942	**$ 21,722**
Municipal enterprises	138	–	**138**
	$ 14,918	$ 6,942	**$ 21,860**

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $6,480,000 was made in 1989 (1988 – $6,480,000) and is reported on the Consolidated Statement of Operations.

6. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality and the following local boards and municipal enterprises:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $104,055,000 (1988 – $96,505,000) at the end of the year.

In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time, and over the next nine years, will be as follows:

($ thousands)

	1990 to 1992	1993 to 1995	1996 to 1998
Municipality	$ 16,489	$ 16,489	$ 16,489
Other participants	345	345	345

During 1989, the contributions to the reserve fund by the Municipality and other participants amounted to $3,887,000 and $78,000 respectively. At December 31, 1989, the balance of the Corporate Sick Pay Reserve Fund was $9,752,000 (1988 – $11,241,000).

Anticipated payment over the next five years to employees of the Municipality and its participating local boards and municipal enterprises who are eligible to retire are as follows:

($ thousands)

	1990	1991	1992	1993	1994
Municipality	$ 5,828	$ 5,913	$ 6,466	$ 6,759	$ 7,107
Other participants	116	112	128	132	146

7. Net Long Term Liabilities

(a) The net long term liabilities reported on the Consolidated Balance Sheet are made up of the following:

($ thousands)

	1989	1988
Total long term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	**$ 1,368,080**	$ 1,266,300
In addition, the Municipality has assumed responsibiity for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is		
Capital leases	**338**	413
Long tem interest free loan payable to Province of Ontario	**2,281**	4,058
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	**2,681**	4,199
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	**(448,977)**	(379,960)
Net long term liabilities	**(458,690)**	(437,149)
	$ 465,713	$ 457,861

(b) Net long term liabilities — future redemption

Of the net long term liabilities reported in (a) of this note, $204,911,000 in principal payments are payable from 1990 to 1994, $104,756,000 from 1995 to 1999, and $1,176,000 thereafter, and are summarized as follows:

($ thousands)

	1990 to 1994	1995 to 1999	2000 and thereafter	**Total**
From general municipal revenues	$ 185,233	$ 96,081	$ 1,068	**$ 282,382**
From consolidated municipal enterprises	19,678	8,675	108	**28,461**
	$ 204,911	$ 104,756	$ 1,176	**$ 310,843**

The difference between the total of principal redemption indicated above ($310,843,000) and the total of the net long term liabilities reported in note 7 (a) ($465,713,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1989, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in "Net long term liabilities" on the Consolidated Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at December 31, 1989 is an amount of US$82,786,000 (1988 — US$102,013,000), the translated value of which amounts to Cdn$95,850,000 (1988 — Cdn$121,651,000).

(d) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (a) of this note issued in the name of the Municipality.

(e) *Long term liabilities incurred on behalf of area municipalities, school boards and the Province of Ontario*

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by its area municipalities, school boards and the Province of Ontario. The total amount outstanding as at December 31, 1989 is $448,977,000 (1988 — $379,960,000) and is not recorded on the Consolidated Balance Sheet.

8. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the Consolidated Statement of Operations are as follows:

($ thousands)

	1989	1988
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	$ 41,128	$ 43,588
Interest	85,414	82,559
	$ 126,542	$ 126,147

The charges for long term liabilities assumed by the area municipalities, school boards and the Province of Ontario are not reflected in these statements.

9. Effect of Adoption of Municipal Accounting Conventions

As indicated in Note 1(b) (vi), the financial statements of the Toronto Transit Commission and Gray Coach Lines, Limited, have been restated to reflect a municipal basis of accounting for capital transactions prior to their incorporation in these consolidated financial statements. The effect of this restatement is as follows:

($ thousands)

	1989	1988
Equity on a commercial basis	$ 76,040	$ 74,795
Reduction in equity due to restatement	(108,160)	(101,026)
Deficit on a municipal basis	$ (32,120)	$ (26,231)

10. Municipal Fund Balances at the End of the Year

The balances on the Consolidated Statement of Operations of municipal equity (deficit) at the end of the year consist of the following:

($ thousands)

	1989	1988
For general reduction of taxation	$ 54,940	$ 32,982
Transit operations – deficit arising as a result of restatement to municipal basis of accounting	(32,120)	(26,231)
Acquisition of fixed assets to be recovered through taxation or user charges	(48,587)	(69,309)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(48,587)	(69,309)
Funds availabe for the acquisition of fixed assets	89,287	70,593
	(7,917)	(68,025)
	$ 14,903	$ (61,274)

Approval of the Ontario Muncipal Board has been obtained for the pending issues of long term liabilities.

11. Reserves and Reserve Funds

(a) The total balances of reserves and reserve funds are made up of the following:

($ thousands)

	1989	1988
Reserves set aside for specific purposes by Council		
Transit purposes	$ 41,200	$ 26,600
Contingencies	29,339	30,347
Water rates stabilization	10,000	10,000
Capital financing stabilization	7,825	11,643
Replacement of equipment	7,722	4,739
Exchange stabilization	4,987	4,987
Debenture repayment	4,840	4,840
Sick pay benefits	4,726	4,117
Parks and recreation program facilities	1,298	1,000
Refuse disposal purposes	712	430
Other	762	195
	113,411	98,898
Reserve funds set aside for specific purposes by Council		
Refuse disposal purposes	140,348	43,224
Pollution control	29,466	44,118
Insurance	21,766	22,204
Employee benefits, other than sick pay	12,979	9,715
Metro Hall	11,301	43,905
Sick pay benefits	9,752	11,241
Property settlement	9,631	8,674
Parks and recreation program facilities	4,737	4,183
Other	474	691
	240,354	187,955
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Lakeview Sewage Treatment Plant Contingency	157	148
	240,511	188,103
	$ 353,922	$ 287,001

(b) The assets and liabilities of the Reserve Funds are as follows:

($ thousands)

	1989	1988
Restricted Assets per the Balance Sheet	$ 261,629	$ 169,373
Receivable from the Revenue Fund (eliminated on Consolidated Balance Sheet)	31,026	27,238
	292,655	196,611
Less: Accounts Payable	52,144	8,508
Fund Balance	$ 240,511	$ 188,103

12. Public Liability Insurance

The Municipality has established an Insurance Reserve Fund to meet the deductible provisions of insurance policies, to provide for premiums in respect of external insurance coverage and for the financing of losses in excess of external coverage. The metropolitan departments and the various participating local boards, commissions and agencies make annual contributions to the Insurance Reserve Fund on a predetermined basis which takes into account, among other things, the most recent claims experience.

Based upon an actuarial review, provision has been made in the accounts for reported claims, although the fund remains contingently liable for claims incurred but not reported. The balance of the insurance reserve fund is considered adequate for its purpose and is, in any event, subject to ongoing review.

13. Contractual Obligations

The Metropolitan Council, in 1988, approved capital expenditures in the sum of $210,760,000 for the construction of Metro Hall, a distinct and identifiable headquarters for the Metropolitan Corporation, with occupancy planned for 1992. Council further approved that such capital expenditures be financed by debentures having a term not exceeding 10 years and in an amount of $210,760,000 less the total of amounts available in the Reserve Fund for Capital Costs of Metro Hall.

The Reserve Fund for Capital Costs of Metro Hall was created by Metropolitan Council in 1987. During 1987, 1988 and 1989 the sums of $15,000,000, $30,000,000 and $30,000,000 respectively were transferred to the Reserve Fund from current operations. The 1990 Operating Budget contains a provision for an additional contribution of $30,000,000.

As at December 31, 1989, capital costs of $64,419,000 had been expended and had been fully financed by the Reserve Fund. The balance of the Reserve Fund was $11,301,000 as at December 31, 1989 (1988 – $43,905,000).

14. Comparative Figures

Certain of the 1988 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

Municipality of
Metropolitan Toronto

Analysis of Current Operations

Year Ended December 31, 1989

($ thousands)

	1989	1988
Surplus at beginning of year	**$ 6,751**	$ 22,697
Revenue		
Taxation and user charges		
Requisition on local municipalities	**2,581,907**	2,207,849
Less school board requisition	**(1,633,238)**	(1,379,891)
User charges	**835,502**	736,702
Grants		
Government of Canada	**2,176**	1,683
Province of Ontario	**723,118**	648,174
Other municipalities	**16,386**	14,287
Other		
Investment income	**24,774**	20,984
Sale of land	**1,433**	19,090
Fines	**53,004**	42,742
Contributions from reserves and reserve funds	**43,865**	26,530
Other	**22,692**	28,136
	2,671,619	2,366,286
Expenditure		
General government	**150,425**	130,533
Protection to persons and property	**475,816**	439,767
Transportation services	**771,895**	739,677
Environmental services	**366,202**	294,260
Health services	**60,283**	55,062
Social and family services	**667,432**	567,211
Recreation and cultural services	**148,424**	142,615
Planning and development	**15,073**	13,107
	2,655,550	2,382,232
Surplus at end of year	**$ 22,820**	$ 6,751

Municipality of
Metropolitan Toronto

Analysis of Capital Operations

Year Ended December 31, 1989

($ thousands)

	1989	1988
(Capital operations not yet permanently financed) Unexpended capital financing at beginning of year	**$ (68,025)**	$ 20,680
Financing		
Contributions from current operations	**122,039**	111,052
Contributions from reserves and reserve funds	**107,582**	25,308
Long term liabilities incurred	**78,126**	32,400
Ontario grants	**119,794**	118,480
Other	**56,784**	27,766
	484,325	315,006
Expenditure		
General government	**19,236**	60,761
Protection to persons and property	**28,149**	31,693
Transportation services	**198,609**	177,366
Environmental services	**130,716**	90,510
Health services	**6,298**	6,414
Social and family services	**15,241**	15,378
Recreation and cultural services	**25,825**	21,390
Planning and development	**143**	199
	424,217	403,711
(Capital operations not yet permanently financed) at end of year	**$ (7,917)**	$ (68,025)

Municipality of
Metropolitan Toronto

Analysis of Reserves and Reserve Funds

Year Ended December 31, 1989

($ thousands)

	1989	1988
Balance at beginning of year	**$ 287,001**	$ 187,567
Revenue		
Contributions from current operations	**192,502**	139,927
Interest earned	**25,866**	11,345
	218,368	151,272
Expenditure		
Transfers to current operations	**43,885**	26,530
Transfers to capital operations	**107,582**	25,308
	151,447	51,838
Balance at end of year	**$ 353,922**	$ 287,001

Metropolitan Council

Chairman

Alan Tonks
York — Humber

Mayors

Fergy Brown
York

Art Eggleton
Toronto

David Johnson
East York

Mel Lastman
North York

Bruce Sinclair
Etobicoke

Joyce Trimmer
Scarborough

Councillors

Brian Ashton
Scarborough — Bluffs

Maria Augimeri
North York — Black Creek

Ila Bossons
Toronto — Midtown

Scott Cavalier
Scarborough — Agincourt

Paul Christie
Toronto — East Toronto

Mike Colle
York — Eglinton

Dennis Flynn
Etobicoke — Kingsway-Humber

Norman Gardner
North York — Centre

Mario Gentile
North York — Humber

Richard Gilbert
Toronto — Davenport

Lois Griffin
Etobicoke — Rexdale-Thistletown

Brian Harrison
Scarborough — City Centre

Roger Hollander
Toronto — Don River

Anne Johnston
Toronto — North Toronto

Joan King
North York — Seneca Heights

Marie Labatte
North York — Don Parkway

Dale Martin
Toronto — Downtown

Ken Morrish
Scarborough — Highland Creek

Howard Moscoe
North York — Spadina

Dick O'Brien
Etobicoke — Markland-Centennial

Peter Oyler
East York

Joe Pantalone
Toronto — Trinity-Niagara

Maureen Prinsloo
Scarborough — Wexford

Bev Salmon
North York — Centre South

Bob Sanders
Scarborough — Malvern

Derwyn Shea
Toronto — High Park

Chris Stockwell
Etobicoke — Lakeshore-Queensway

Senior Management

Metropolitan Departments

Dale E. Richmond
Chief Administrative Officer

Allan G. Andrews
Metropolitan Auditor

John Bower
Commissioner
Planning

John A. Gartner
Commissioner (Oct. 89)
Planning

Robert G. Bundy
Commissioner
Parks and Property

Daniel Crombie
Metropolitan Clerk

John Dean
Commissioner
Ambulance Services

Peter E. Ferguson
Commissioner
Personnel

Frank J. Horgan
Commissioner
Works

Robert G. Ferguson
Commissioner (March 89)
Works

Douglas P. Floyd
Commissioner
Transportation

J. Richard Picherack
Commissioner
Community Services

John L. Pickard
Commissioner of Finance and Treasurer

Dale E. Richmond
Commissioner
Management Services

George H. Rust-D'Eye
Metropolitan Solicitor

Ossie Doyle
Metropolitan Solicitor (May 89)

Boards, Commissions and Agencies

Charles S. Cutts
General Manager
O'Keefe Centre

Allan F. Leach
Chief General Manager
Toronto Transit Commission

Jack Marks
Chief
Metropolitan Toronto
Police Force

William J. McCormack
Chief (Oct. 89)
Metropolitan Toronto
Police Force

Peter Moore
Chief General Manager
Exhibition Place

Carol Ruddell-Foster
General Manager
Metropolitan
Licensing Commission

Frances Schwenger
Director
Metropolitan Toronto
Library Board

Calvin J. White
General Manager
Metropolitan Toronto Zoo